

MINUTES
Finance Committee
January 16, 2001

The Finance Committee met January 16, 2001, at 1 p.m. in Room 131, Capitol Annex, Frankfort, Kentucky. Chairman Baker presided.

ROLL CALL

The following members were present: Walter Baker, Steve Barger, Merl Hackbart, Amanda Coates Lich, Charlie Owen, and Charles Whitehead. Ron Greenberg and Hilda Legg did not attend.

**2002-04 FUNDING
METHODOLOGY
“POINTS OF
CONSENSUS”**

Angela Martin, the council’s vice president for finance, presented The Points of Consensus Among the University Presidents, KCTCS President, and Council President. This proposed 2002-04 funding method had been slightly revised at recent meetings but the only changes since the December 19 Finance Committee meeting are minor wording changes and an agreement that universities with medical schools not be considered benchmark institutions for Kentucky comprehensive universities. The SCOPE Operating Budget Review Subcommittee endorsed this document and it will be presented at the full SCOPE meeting February 7. The document will go to the full council February 5 for endorsement as the basic framework for the council’s 2002-04 budget recommendation.

**2001-02
ENROLLMENT
GROWTH AND
RETENTION
GUIDELINES**

Ms. Martin presented for discussion the 2001-02 enrollment growth and retention guidelines. House Bill 502, the budget bill for 2000-02, funded \$8 million per year for the enrollment growth and retention program for the public institutions. The budget bill allocated the 2000-01 funds to each institution. The allocation was primarily based on projected enrollments and estimated funding levels. The budget bill also directed the council to allocate the funds for the second year of the biennium.

The agenda item outlines three options for distributing the 2000-01 funds.

Option 1: Each institution must meet its fall 2001 retention goal to be eligible to receive program funds based on enrollment growth.

Option 2: There would be two equal pools within each trust fund – one for enrollment and one for retention. Each institution must meet its retention goal to receive the retention funds. The enrollment funds would be distributed based on enrollment growth, without regard to retention.

Option 3: This option is goal based, not performance based. The allocation would have two separate, equal pools – one for enrollment

and one for retention. If an institution does not meet its goal, additional funds would not continue. This option was developed based on meetings with the presidents. Some presidents said that incentives for higher enrollment and retention should help build capacity and the institutions are working to increase enrollment. But they may not benefit from the efforts immediately.

In a meeting earlier in the day, the Academic Affairs Committee discussed another option: rewarding the whole system for overall increase in enrollment and retention.

Responding to a question by Mr. Hackbart, Ms. Martin said the three options are compatible with benchmark funding.

This agenda item will be brought to the Finance Committee February 5 to be recommended to the full council.

POSTSECONDARY EDUCATION TRUST FUND INVESTMENT INCOME

Ms. Martin presented for discussion the investment income from the postsecondary education trust funds. Five trust funds have total interest income of \$5.6 million as of June 30, 2000. Mr. Davies has discussed investment income with the presidents and has proposed that they match it to receive it – just as the trust funds themselves must be matched. He further proposed that if institutions allocate some of their investment income for the statewide strategy for engineering education, the council would provide the matching portion of funds from the technology initiative trust fund. The presidents of the University of Kentucky and the University of Louisville have expressed concerns that they cannot use the interest income from the research challenge trust fund for the statewide engineering program because it would not support graduate studies. The presidents from Murray State University and Western Kentucky University have acknowledged that they would like to use the investment income for engineering. Later in the day, the council staff, presidents, and representatives from UK, UofL, Western, and Murray met to discuss the statewide strategy on engineering, joint framework agreements, and financing plans. This item will be presented to the council for action February 5.

Mr. Baker asked if Western has signed agreements with UK and UofL. Ms. Martin said it had.

Mr. Baker asked WKU President Gary Ransdell if students who come to Western in fall 2001 could start in an engineering program. Dr. Ransdell said yes and WKU is recruiting students and faculty. Dr. Ransdell said existing students could transfer into engineering. Western has eliminated the engineering technology program, as it has historically been structured, and students will merge into the baccalaureate programs. Western plans to negotiate with the Kentucky Community and Technical College System a joint program for a technology

curriculum that will replace engineering technology.

Mr. Baker asked Ms. Martin if money would be requested in the 2002-04 budget for engineering. Ms. Martin said the council would need to consider engineering program funding for the 2002-04 biennium.

Murray State University President Kern Alexander said he thought that Murray State would join Western in negotiations but Murray State had been excluded. Murray State has requested council approval for a program in telecommunications engineering to begin August 2001. Dr. Alexander said that the statewide engineering strategy guidelines allow stand-alone programs.

Mr. Davies said that when the council considered engineering last year, it said it did not particularly want stand-alone engineering programs at comprehensive universities. He said the council wants comprehensive universities to work with UK and UofL. Mr. Davies said the Academic Affairs Committee should decide.

Responding to Dr. Alexander's comment that Murray State has not been part of engineering talks, Mr. Davies said the council staff has not been involved. He said the negotiations have been among representatives of the three institutions.

Mr. Baker asked for all parties to report on the progress of the agreements at the February council meeting.

Dr. Ransdell asked for clarification regarding Option 3 of the enrollment growth and retention funding guidelines. He noted differences between what was allocated to each institution and what is to be appropriated for 2001-02. In Western's case, \$700,000 in the budget bill and \$663,500 recommended.

Ms. Martin said the budget bill amounts were based on projected enrollments and estimated state appropriations, not actual.

Ms. Adams said the Academic Affairs Committee suggested the additional option because it did not want to place the institutions, particularly comprehensive universities, in competition for enrollment. The independent presidents during the SCOPE subcommittee meeting earlier in the day also discussed this option. There is no overall enrollment gain when students merely go to one institution from another.

Dr. Ransdell said that if the intention is to fund growth, then he is unsure why a university that exceeds its projection would receive less money than originally forecast.

Mr. Davies said the original numbers were based on an approximate full-time equivalent student enrollment and estimated dollars per FTE because the General Assembly did not have anything else. The council

staff used actual FTE and actual dollars per FTE. The result is a different calculation from that of the General Assembly.

Morehead State University President Ron Eaglin suggested using an average of two or three years of retention figures instead of just one. He said he liked the systemwide approach. He said Morehead State has a higher percentage of students graduating but fewer enrolling.

Northern Kentucky University President James Votruba said the term “reward” is a misnomer. These funds are intended to support, not reward, growth.

TECHNOLOGY INITIATIVE TRUST FUND

Dennis Taulbee, the council’s associate vice president for information and technology, presented the technology initiative trust fund discussion item. He said there have been some questions from council members about the source of funds for several proposed activities. When postsecondary education reform was passed, the technology trust fund was considered to be the most broadly drawn of the trust funds. Its purpose was to improve campus technology and to develop the Kentucky Virtual University and the Kentucky Virtual Library. Money remains in the trust fund from the last biennium. Interest has accumulated as a result of slower than anticipated disbursements. The chart attached to the agenda item lists continuation projects from the previous biennium, which total \$3.66 million. Two additional projects, the mathematics diagnostic test and EEO opportunity programs, were approved by the 2002 General Assembly but not funded. The council agreed to fund these two projects at \$611,000. The recommended allocations are new ones that the council has not reviewed thoroughly. They total \$1.5 million.

Mr. Baker asked about the \$411,000 for equal educational opportunity programs. Mr. Taulbee said that this would fund two programs. The Governor’s Minority Student College Preparation Program has been expanded to the community and technical colleges, and funds will be requested again next biennium. The Southern Regional Education Board’s faculty diversity program expands the number of minority scholars each year of the current biennium. Funds for this program also will be requested next biennium.

KCTCS HENDERSON COMMUNITY COLLEGE LEASE OF

RECOMMENDATION: The staff recommends that the council approve the Kentucky Community and Technical College System’s request to spend \$240,000 annually in private funds to lease classroom and office space for an industrial maintenance program.

CLASSROOM SPACE

The council has the responsibility to approve all leases of \$200,000 or more. The KCTCS needs 26,000 square feet to teach manufacturing technology and industrial maintenance technology. The KCTCS received a single bid, which totaled \$240,000 per year. The KCTCS has private money available to fund the lease but said it might request state support for the continuation of the lease agreement and funds to operate the facility in future budget requests. The space is located in downtown Henderson, about four miles northeast of Henderson Community College.

MOTION: Mr. Owen moved that the recommendation be approved. Mr. Whitehead seconded the motion.

VOTE: The motion passed.

OPERATING BUDGET

MOTION: Mr. Barger moved that the council staff be directed to provide the Finance Committee with a detailed operating budget for the council. Mr. Owen seconded the motion.

VOTE: The motion passed.

COUNCIL AUDIT

Mr. Baker asked if arrangements have been made for an audit of the council for the year 2000-01. Mr. Davies said that an agenda item asking for approval of an audit will be taken to the full council in March. Mr. Owen asked what years would be covered and if there have been audits in the past. Mr. Davies said the current year would be covered and that no audits have been conducted since he joined the council. He said an audit is needed this year because, for the first time, the council has a major federal grant. In addition, the trust fund activity makes the council's budget considerably more complex. Mr. Owen said an audit is good practice under any circumstance.

Regarding the detailed budget information, Mr. Baker said it would be helpful to have salary information on all council employees, including the virtual university and virtual library.

STAFF SALARY INFORMATION

Council member Shirley Menendez discussed the Governor's Conference on Latin America held last week in Louisville. She said Kentucky is hoping to do more trade with Latin American countries.

LATIN AMERICAN CONFERENCE

The meeting adjourned at 3 p.m.

ADJOURNMENT

Vice President for Finance

Mary Morse
Secretary